

ASSESING YOUR OPPORTUNITY



Quantifying Your Venture's Opportunity



VENTURE DESIGN
TOOLKIT

IDEO



Helps you answer:

How many people are there in the group you're designing for? / What
are their attitudes, beliefs, behaviors? / On which groups of potential
customers should you focus first?



SIZING YOUR OPPORTUNITY IS ABOUT YOUR VENTURE'S POTENTIAL

It helps you identify if there are **enough people** who need your venture to **build a business**. This is also known as your **market size**.



SEGMENTING THE MARKET IS YOUR FIRST STEP.

Identify the group(s) of potential customers you could design for - also known as who you are targeting.

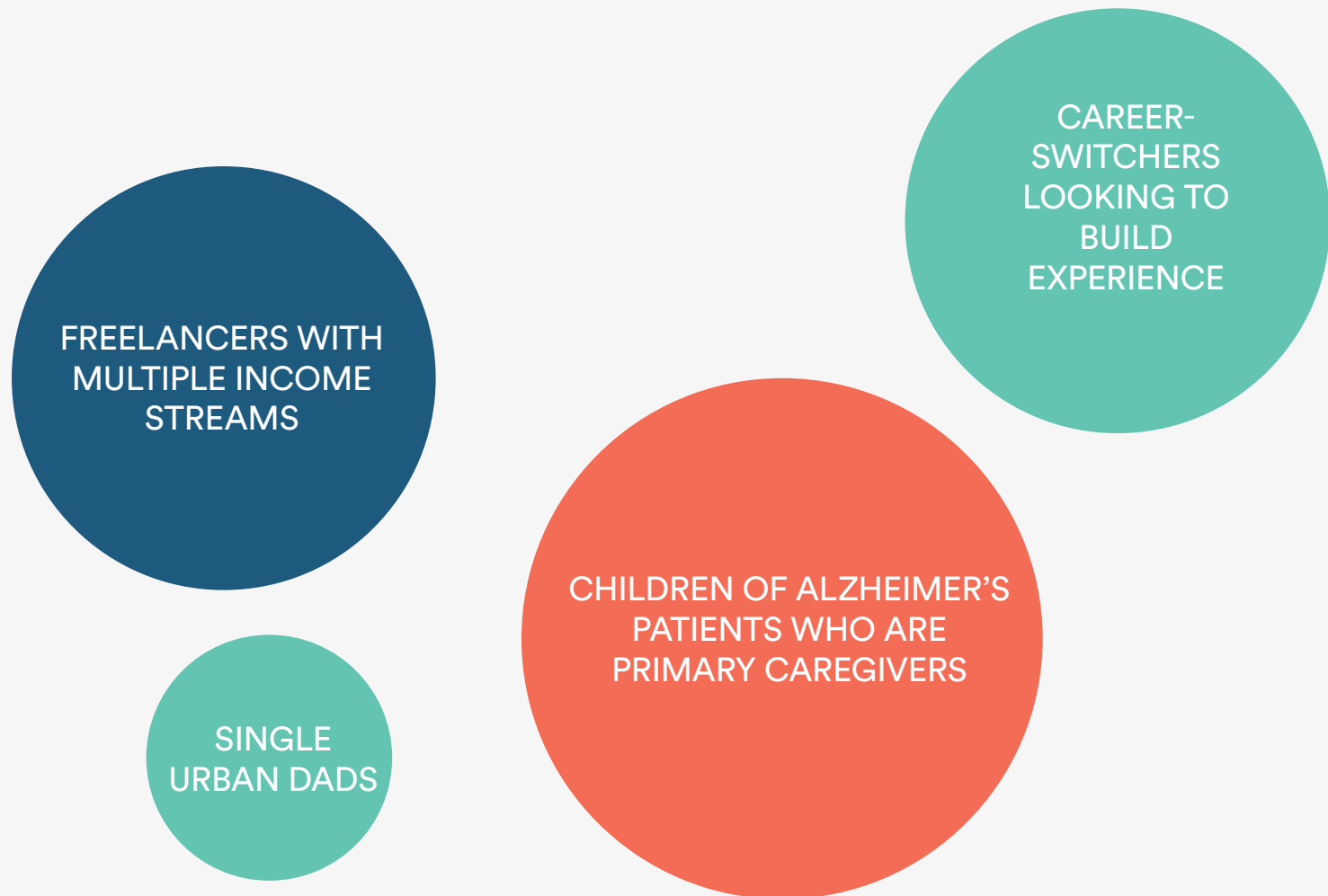
THINK ABOUT:

- Demographics
- Attitudes
- Behaviors

...or combinations of these.



Examples of *segments*, or groups of potential customers:
(bubbles represent relative size of each group)





THINGS TO CONSIDER

WHO WILL YOU TARGET FIRST, NEXT?

There may be a group you go after first because they need you most, or they can influence other groups. Keep in mind, your product or service might have different value or play a different role for each segment.

CAN YOU NAME THEM AND TELL STORIES THAT BRING THEM TO LIFE?

Empathy makes designing for people easier.

IS YOUR END USER YOUR PAYING CUSTOMER?

Explore who has the money (and willingness) to pay for what you're offering.



SIZE YOUR MARKET

Estimate how big your business opportunity is.



For both approaches, the main elements are:

- 1. # of **customers** and*
- 2. the **price** each one pays*



TOP-DOWN MARKET SIZING

Start with the total possible market and slice it down

EXAMPLE: PILLPACK

10% of the US population takes 10+ medications: ~30 million people

An average patient is worth \$10 per medication per month to a pharmacy

$\$10 \times 10 \text{ medications} \times 12 \text{ months} = \$1200 / \text{year per customer}$

$\$1200 / \text{year} \times 30 \text{ million people} = \$36 \text{ billion total market size}$

Not everyone in that population will switch to PillPack. However, if PillPack captured \$500K or even \$1M in its first few years, that is still a tiny piece of this gigantic total.



BOTTOM-UP MARKET SIZING

Start with peoples' behavior

EXAMPLE: PILLPACK

3 local pharmacies in a typical US town serve 25,000 customers

Roughly 10% of them take 10+ medications:]~2,500 customers

Estimate 1 in 30 customers would switch to Pillpack: ~85 customers*

An average customer on 10+ meds is worth \$100/month to the pharmacy

$\$100/\text{mon} \times 12 \text{ mos} \times 85 \text{ customers} = \sim \$100\text{K}/\text{year per pharmacy}$

... then go from there

**You can estimate this by showing the service to 30 people and gauging their likelihood, or you could calculate an estimate based on behaviors. For ex: How many make multiple trips to the pharmacy a week and would value the convenience? How many people travel for their job, or are short on time managing a crazy household?*



Market sizing is easier if you are entering an established industry. But what if your product or service addresses a **completely unmet need** or a **brand new category**?

Use **analogies** for similar products' uptake

Find **statistics** around emerging behaviors, or numbers that can help you figure out how many people have a particular need

Identify **what people use today** to meet the need, then calculate how much they're spending

EXAMPLE: MELON

Can you use early numbers from the quantified self movement?

*What other tools are people using to measure focus? How many people are using them?
What are they spending on them?*

<http://www.thinkmelon.com/>



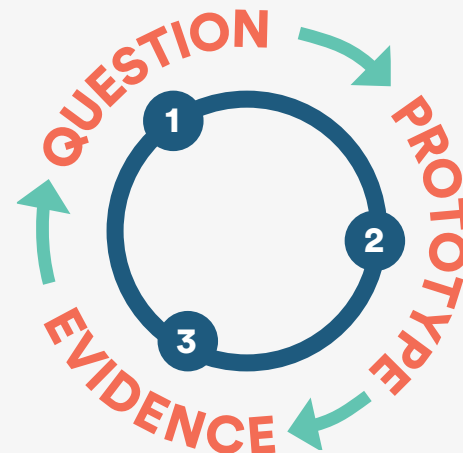
LET'S DO!

Now that you've learned more, take a shot at answering these questions:

How many people are there in the group you're designing for? / What
are their attitudes, beliefs, behaviors? / On which groups of potential
customers should you focus first?

**FOR QUESTIONS YOU STILL NEED
TO ANSWER OR ASSUMPTIONS YOU
NEED TO PROVE,**

- What will you make / prototype?
- What evidence can you get?





WHAT'S NEXT?

DO

QUANTIFYING YOUR OPPORTUNITY

*How big could your business be?
How many potential customers
could you help?*

LEARN

UNDERSTANDING PEOPLE

UNCOVERING NEEDS AND
DEVELOPING EMPATHY

*How much do you understand about
the people you are targeting and
designing for?*

SYNTHESIS

IDENTIFYING OPPORTUNITIES
TO CREATE VALUE

*Going back to your research and
inspiration, what groups of people
(customer segments) could you
design for?*

LEARN

BUSINESS MODELS

CREATING, DELIVERING
AND CAPTURING VALUE

*Once you've figured out how much
potential value is out there, how will
you capture it?*

Other Resources

 **ARTICLE**

SECRETS OF MARKET SIZING

BY BREKIRI.COM

*Describes logic of a good market
size estimate, includes links to other
related resources.*

 **POST**

HOW CAN I CALCULATE THE MARKET SIZE OF MY IDEA?

BY QUORA.COM

*A quick guide to a back-of-the-
envelope market size calculation.*